

TOP SECRET

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GENERAL

- 25X1A 2. Philippine Foreign Secretary considering resignation over Japanese reparations issue;

Foreign Affairs Secretary Romulo is bitter in his denunciation of the reparations clause of the Japanese peace treaty and says he does not see how he can face his people if he accepts the wording of the present draft. He

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told US Minister-Counselor Harrington that he is seriously considering resigning and will speak to President Quirino as to the advisability of such action.

Comment: The reparations clause of the current Japanese peace treaty, while not specifying reparations payments, does bind Japan to enter into bilateral negotiations following the signing of the treaty with the aim of providing limited compensation for war damage. Both Romulo and President Quirino agreed reluctantly to such a clause in June when US representative Allison was in the Philippines.

FAR EAST

25X1A 3. Burmese Ambassador comments on Korean settlement:

[REDACTED]

The Burmese Ambassador to Communist China, who left Peiping in mid-June, has informed the US Consul General in Hong Kong that he believes the Peiping regime "really would like" to end the fighting in Korea, as the Chinese Communists have taken a "heavy beating" and find it "increasingly difficult" to explain to the Chinese people the inadequacy of Soviet aid. He adds that Peiping will, however, continue to insist on the withdrawal of all foreign forces from Korea.

Comment:

[REDACTED] Peiping appears genuinely desirous of an end to the Korean conflict at this time.

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[REDACTED]

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NEAR EAST

25X1A 7. Kurds create disturbances in Western Iran:

Kurdish tribesmen in western Iran, in the region south of Lake Urmia, have created disturbances in two localities near the Iraqi frontier during the first week in July.

Comment: In September 1950, a Kurdish revolt in this area was put down only by direct Iranian military action. Azerbaijan Radio, which broadcasts from Baku, has maintained a propaganda barrage aimed at inciting the Kurds to revolt and encouraging them to form an independent Kurdistan. Kurdish uprisings, coordinated with possible Tudeh-inspired disturbances, could seriously menace Iran's internal stability.

25X1A 8. Iran requests US Export-Import Bank loan:

The Iranian Minister of Roads told US officials in Tehran on 8 July that the Prime Minister wished to accept the US Export-Import Bank loan. The Minister of Roads also stated that

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the loan would be discussed in the Council of Ministers on 8 July, and probably would be presented to the Majlis on 10 July.

Comment: Former Prime Minister Razmara refused to submit the controversial Export-Import Bank loan to the Majlis on the grounds that 25 million dollars was so inconsequential a sum that it would not be approved. Prime Minister Mossadeq's present interest in the loan (authorized on 6 October 1950) appears to stem from his handling of the Anglo-Iranian Oil Company, which has proved that he is not subservient to foreigners and can therefore accept the loan without prejudicing the national sovereignty. Moreover, he is feeling the financial pressure which is building up as Iran receives no income from the oil. While the US has not retracted the offer of the loan, its acceptance by Iran under present conditions, and its implementation by the US, would have far-reaching and embarrassing repercussions in the UK.

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25X1A 10. Strike of civil servants in Greece threatens government:

[REDACTED]

In the present strike in Greece, there are no signs of retreat by either the government or the striking civil servants, and there is every indication that the situation will become more

critical before a solution is reached. According to the US Ambassador in Athens, there is a possibility that the government would prefer to hand over this problem to an interim cabinet, and is consequently endeavoring to speed the passage of the electoral law in order to resign next week. There is also the possibility that, because of the continuing strike, the government might resign before either the rationing program or an electoral law has been voted upon.

Comment: While the Greek political stage is in constant turbulence, the present strike comes at a particularly unpropitious time. The proposed electoral law, which has been agreed to by the major Greek political parties, if passed, would increase the parliamentary strength of the major parties and thus assure a greater degree of stability to the government. The rationing program would likewise have a most salutary effect on the Greek economy. The recent resignation of Field Marshal Papagos, the attempted resignation of Prime Minister Venizelos, and the subsequent continuing uncertainty in both political and economic fields, make it clear that Greece has not yet achieved stability.

WESTERN EUROPE

25X1A 11. Communists press for Western participation in Berlin Youth Festival:

[REDACTED]

Guy de Boysson, French leader of the World Federation of Democratic Youth (WFDY), reportedly claims that 2500 youths from the US and 3200 from Latin America, "of all political, religious and pacifist tendencies," will attend the Berlin Youth Festival in August. Should the Bonn government prohibit passage of Western youth delegations through Western Germany, it has been arranged to take them in Soviet and Polish ships to Stettin or by plane to Prague.

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Special attention will be given youths eligible for military service, some of whom will be invited to visit Moscow and Satellite capitals, including Peiping, where they will be utilized to typify the alleged pro-Soviet outlook of American youth and to give assurance that "young American soldiers will never fight the Soviet Union."

Comment: Since there are no formal WFDY or IUS (International Union of Students) affiliates in the US, a special Committee for World Youth Friendship and Cultural Exchange was formed recently to organize American participation in the Berlin festival. While these figures of American attendance are believed to be exaggerated, no effort or money is being spared by the Communists to attract masses of youth and to make the festival appear non-partisan and broadly representative. Non-Communist student organizations in every country have been invited. Some of these have warned their members of the political nature of the festival, although the Communists have utilized the device of publishing an appeal from one member to imply adherence of the group. Another ruse has been to persuade outstanding athletes to join in order to create the illusion that the summer games concurrent with the festival are non-political contests. Public figures have been used to imply government support, as in Italy, where 69 mayors, professors, and doctors sponsor the festival.